



## Legislation Details (With Text)

**File #:** 18-638      **Version:** 1      **Name:**

**Type:** Public Hearing/General Business      **Status:** Agenda Ready

**File created:** 5/7/2018      **In control:** Council and Authorities Concurrent Meeting

**On agenda:** 6/12/2018      **Final action:** 6/12/2018

**Title:** Consideration of Fiscal Year 2018/19 Appropriation Limit

**Sponsors:**

**Indexes:** CC

**Code sections:**

**Attachments:** 1. Schedule 1, 2. Resolution for Appropriations Limit, 3. Resolution No. 18-8539

Date	Ver.	Action By	Action	Result
6/12/2018	1	Council and Authorities Concurrent Meeting	Approved Staff Recommendation	Pass

## REPORT TO COUNCIL

### SUBJECT

Consideration of Fiscal Year 2018/19 Appropriation Limit

### BACKGROUND

Annually, the City is required to calculate the expenditure appropriation limit from tax proceeds to determine compliance with Propositions 4 (Gann Initiative) and 111 (Spending Limitation Act of 1990). On November 6, 1979, the California electorate passed Proposition 4, which created Article XIIB of the State Constitution placing limits on the amount of revenue that can be spent by governmental agencies. This constitutional amendment, also known as the GANN Initiative, placed limits on the growth of expenditures for publicly funded programs by restricting the amount of revenue that the City can appropriate in any fiscal year. Not all revenues are restricted by the limit, only those that are categorized as proceeds of taxes.

The City's limit has been based on actual appropriations during FY 1978/79, increased annually by an adjustment factor. On June 5, 1990, the California electorate approved Proposition 111 which modified the method of adjusting the annual Appropriations Limit. Beginning with the 1990/91 appropriations limit, the City may choose from the following indices when arriving at an adjustment factor:

1. The annual growth in the City's population or the annual growth in the County's population as provided by the State Department of Finance; and
2. The annual growth in the California Per Capita Income or the growth in the non-residential assessed valuation due to new construction within the City.

### DISCUSSION

The City is responsible for dividing citywide revenues between tax and non-tax revenue and applying the formula to the cumulative appropriation limit. For FY 2018/19, the appropriations limit was

computed using the annual population growth of the City of Santa Clara (3.25%) and the annual growth in the California Per Capita Income (3.67%). For FY 2018/19, the City of Santa Clara appropriations limit is \$459,684,534 (Schedule 1). This calculation means that the City cannot receive more than \$459,684,534 in tax-based revenues in FY 2018/19. An analysis of the revenues generated from tax proceeds minus any exempted expenditures (such as debt service, capital outlay, and federal mandates) resulted in total revenue subject to the appropriation limit of \$175,246,540 or 38.12%. The City's appropriations subject to the limit are \$284,437,994 below the 2018/19 appropriations limit. Therefore, the City is in compliance with Article XIIB of the California Constitution.

Schedule 1 provides the history of the City's appropriations limits as adopted by Council for fiscal year 2009/10 through fiscal year 2017/18 and the appropriations limit being recommended for adoption for fiscal year 2018/19.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

### **FISCAL IMPACT**

There is no fiscal impact to this report. However, by adopting the Resolution establishing the appropriation limit for FY 2018/19 the City will be in compliance with Propositions 4 and 111.

### **COORDINATION**

This report has been coordinated with the City Attorney's Office.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

### **RECOMMENDATION**

Adopt a Resolution establishing the City's fiscal year 2018/19 appropriations limit of \$459,684,534.

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Schedule 1
2. Resolution for Appropriations Limit